

PENSION UPDATE

Administration Check-Up

As a plan sponsor, you are deemed the administrator of your pension plan (some exceptions apply to trustee plans). While the record-keeper/custodian of your program is looking after the investment and funding allocation, they rely upon your inputs for information regarding membership and funding.

We would like to remind plan sponsors of a couple areas that require periodic review – specifically the treatment of part-time employees and the definition of earnings.

Part-Time Employees

Pension legislation prescribes that part-time employees are eligible to participate in a pension plan if their employer sponsors a plan. Part-time eligibility minimums can vary by province. For most provinces and federally regulated plans, they are eligible to join once they have two years of continuous service and annual earnings of at least 35 per cent of the year's maximum pensionable earnings (YMPE) or 700 hours worked in each of the two consecutive calendar years preceding membership. For British Columbia and Alberta, minimum eligibility does not differentiate part-time and full-time employees; for Quebec the requirement is only one calendar year of earnings and hours; and for Manitoba the two year criteria applies but part-time members must join the plan. These are minimums set out under legislation – the terms of the plan text may provide earlier or mandatory participation.

In Ontario, the regulations for the Ontario Pension Benefits Act (the Act) stipulate the administrator should provide the explanation of the plan to employees within 60 days of their eligibility period for the plan. As part-time employees may work for an employer for years before satisfying the hours or earnings threshold, this brings up the need for periodic monitoring of eligibility for part-time employees relative to the terms of the plan text and provincial minimums. This may involve calendar year tracking of earnings and hours to ensure appropriate notice can be managed, as outlined in the applicable Act or per the plan text if it is more generous than the prescribed minimums.

Definition of Earnings

The plan text specifies the rules and terms of the plan such as eligibility, contributions by the member, plan sponsor and participating employers. The definition of earnings in the plan text can often be very specific as to inclusions and exclusions (overtime, shift premiums, bonus, special payments, etc.). It is important to periodically verify the coding for payroll deduction for pension, and plan sponsor contributions match the terms of the plan text and are accurately reflected in any plan summaries for the plan (or defer to the plan text for clarification).

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